

➔ What are satisfactory payments?

To be considered "satisfactory," your payments must be:

- **Consecutive** — one after another, such as monthly
- **Voluntary** — not obtained through wage garnishment, state tax offset or Federal Treasury offset, etc.
- **On time** — received within 20 days of the due date
- **In full** — which means the minimum payment based on your income and family size or a reasonable and affordable payment based on your total financial circumstances

The following documents must be completed as requested:

- A signed Rehabilitation Agreement
- A signed Financial Disclosure for Reasonable and Affordable Rehabilitation Payments form (include spouse's information, if applicable)
- Proof of income (for borrower and spouse) in the form of a signed tax return for the most recent tax year or two most recent check stubs
- Proof of reasonable and necessary expenses

Contact the collection agency assigned to your account to determine a satisfactory payment. For an up-to-date list of collection agencies used by the MDHE, please visit www.dhe.mo.gov/ppc/studentloans/collectionagencies.php.

➔ Need help communicating with your loan holder?

An ombudsman is a neutral, informal and confidential resource who reviews and attempts to resolve informal complaints from loan borrowers. If you have taken steps to resolve your loan dispute and you are still not satisfied, you may need to contact the ombudsman. You can reach the MDHE ombudsman at 1-800-473-6757. You can reach the U.S. Department of Education's Federal Student Aid Ombudsman Group at 1-877-557-2575 or www.ombudsman.ed.gov.

➔ Are you a veteran?

Special student loan provisions and resources are available to veterans. Visit the National Council of Higher Education Resources website www.ncher.us and click on the Servicemembers Info tab to learn more. You can find information on interest rate caps for loans obtained prior to your military service during periods of active duty. You can also find information at the U.S. Department of Education's Federal Student Aid website www.studentaid.ed.gov. Let your collection agency know if you believe you qualify for benefits under the Servicemembers Civil Relief Act.

Note: Some SCRA benefits listed are not available to borrowers in default on their federal student loan.

➔ Beware of paying for free services

Be wary of any contract that assures you the company will assume responsibility for notifying your servicer of address changes or items for which your loan promissory note holds you responsible. Also be cautious of entities or individuals who actively recruit student loan borrowers for the sole purpose of selling services and/or program options that are available free of charge for federal student loan borrowers. Some companies charge enrollment fees and/or monthly maintenance fees to consolidate student loans, apply for deferments or forbearances, and make payments on behalf of students. You do not need to pay someone to take advantage of the options available to you. Repayment solutions available to borrowers free of charge are identified at the U.S. Department of Education's Federal Student Aid website www.studentaid.ed.gov.

➔ Steps you can take now to get on a better financial path

- **Take charge of your spending.** Establish a budget; set limits and prioritize; determine the difference between needs and wants; speak with a professional, nonprofit credit counselor if needed.
- **Start saving.** The earlier you save, the more you'll have.
- **Understand the costs of credit.** Compare at least three offers before you choose a credit card; look for low interest rates and no annual fees; always pay more than the minimum payment.
- **Understand how credit use affects your future.** Know the difference between good debt and bad debt; check your credit report annually.
- **Protect your credit and your financial future.** Beware of identity theft; review statements and notify creditors immediately of errors; know what's in your wallet/purse.

The MDHE and postsecondary institutions strive to help you prevent default through training, promoting financial literacy, grant programs and counseling. For information visit the MDHE website at www.dhe.mo.gov.



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HELP

For Defaulted Borrowers

..... from the
Missouri Department of Higher Education



MDHETM
Missouri Department of Higher Education

*Building Missouri's future...
by degrees®*

What is default?

When you signed your promissory note and received your student loan(s), you made a legal commitment to repay the loan(s). When you failed to make payments for more than 270 days, your loan went into default and was purchased by the Missouri Department of Higher Education. The MDHE, along with the collection agency assigned to your account, is now responsible for collecting the money you owe.

Unlike consumer debt, such as credit cards and car loans, there is no statute of limitation on collecting federal student loan debt. Interest continues to accrue on your debt and collection costs will also be added to your balance. The collection cost amount may be as much as the U.S. Department of Education's current maximum amount of 24.34% of the outstanding principal and interest balance per year. The loan must be repaid, even if you did not complete your program, you were unsatisfied with the level of educational services received, or you were unable to obtain employment in your field.

➔ What are the consequences of default?

Defaulting on a student loan can have serious consequences, including any or all of the following penalties:

- Steep collection costs added to your balance
- Referral of your account to a collection agency
- Entire unpaid balance is due and payable
- Wage garnishment
- Withholding of state taxes or federal treasury payments, including Social Security benefits
- Loss of eligibility for further federal financial aid (e.g. federal Pell Grant, federal Direct Loan)
- Loss of deferment or forbearance entitlements and flexible repayment options
- Negative impact to your credit score for up to seven years
- Loss of professional licenses
- Denial of employment by a government agency
- Hold placed on your official college transcript
- Civil lawsuit filed against you, with liability for court cost and/or legal expenses

➔ Now that I have defaulted, what are my options?

Taking advantage of one of the following options can help you avoid some of the negative consequences of default. Contact the collection agency assigned to your account to determine which of the following options best meets your individual goals and financial situation.

Option 1: Rehabilitate your loan. Rehabilitation is a payment process that allows you to establish a regular payment history and move your loan out of default status. To be eligible for rehabilitation, you must:

- Sign and return a Rehabilitation Agreement.
- Make at least nine satisfactory payments within 20 days of your payment due date, (See back panel for section titled "What are satisfactory payments?").
- Return supporting documentation of your total financial circumstances as requested.

After you have made the required payments and returned the completed agreement, the MDHE will attempt to sell your loan to an eligible lender.

***Note:** You must continue making satisfactory payments to the MDHE or the collection agency until you are notified that your loan(s) has been sold. The monthly payment may change once your loan has been purchased by the new lender. Effective August 14, 2008, loans in default can only be rehabilitated once.*

Successful rehabilitation of your defaulted student loan will result in the following:

- The MDHE will remove the default status on your MDHE-guaranteed loan.
- The MDHE will advise the national credit bureaus to delete its negative entry from your credit report.
- Collection costs will be reduced to 16 percent before being capitalized (added to the principal balance) at the time your loan is sold to a new lender.
- Your eligibility for deferment or forbearance will be renewed.
- Additional repayment plans will be available once your account is out of default status.
- Your eligibility for new federal financial aid, such as Pell Grants or new loans, will be reinstated.

To reinstate your eligibility for federal student aid, you must:

- Make six satisfactory payments within 20 days of the payment due date. (See back panel for section titled "What are satisfactory payments?")

After you have made six satisfactory payments, you may request a Title IV Reinstatement letter, which is necessary to receive new federal student aid. Reinstatement requests must be made in writing to the MDHE; however, receipt of a Title IV Reinstatement letter does NOT automatically qualify you for federal financial aid. You must file a Free Application for Federal Student Aid and meet any other need or merit requirements.

***Note:** You must continue to make satisfactory monthly payments within 20 days of your payment due date. If you obtain new Title IV student aid after your eligibility has been reinstated, you will not be eligible for Title IV reinstatement should you default on your loan(s) again.*

Option 2: Repay your loan in full. Contact the collection agency assigned to your account to obtain your payoff amount and make arrangements to pay your account in full. You may be able to avoid paying collection costs by paying your loan in full.

***Note:** Paying your loan in full does not delete the default information reported to the national credit bureaus. Only rehabilitation will delete the default from your credit report.*

Option 3: Consolidate your debt. Consolidation allows borrowers to combine one or more eligible student loans into a single loan with new terms and one monthly payment. Consolidation may allow you to repay your debt over a longer period of time at lower payments, but the total debt will be greater due to interest that will be added to your principal balance. To be considered for consolidation, please contact the collection agency assigned to your account.

If you choose to consolidate your student loan, the MDHE will capitalize collection costs in the amount of 18.5 percent of the outstanding principal and interest balance at the time of consolidation. Information on how to apply for a Direct Consolidation Loan can be found at www.StudentLoans.gov.

***Note:** Consolidating your student loan does not delete the default information reported to the national credit bureaus. Only rehabilitation will delete the default from your credit report. Consolidation may not be your best option. Ask the consolidation lender about your payment options, interest rates and eligibility criteria. Fully evaluate your payment options and choose the one that best meets your goals and financial situation.*